

Key Facts Supporting Equalizing Payments Between Private Plans and Traditional Medicare

*"There's been huge over-funding. I think (Congress) should take some of it away."
- Former Bush Administration CMS Administrator Tom Scully, March 10, 2007*

*"We'd like to see parity...(either) exactly the same or closer to 95 percent."
- America's Health Insurance Plans President Karen Ignagni, April 19, 1999*

Private plans in Medicare are drastically overpaid: The Medicare Payment Advisory Commission (MedPAC), the HHS Inspector General, the Congressional Budget Office, and the President's own Chief Medicare Actuary all agree that private plans in Medicare are overpaid. Their analysis shows that "Medicare Advantage" plans receive, on average, 12 percent more than the cost of care in traditional Medicare. Overpayments to certain plans exceed 50 percent.

Overpayments to private plans increase premiums for all beneficiaries: According to the Bush Administration's own Medicare Actuary, overpayments to private plans that serve fewer than two in 10 beneficiaries increase overall Part B spending, raising premiums for all Medicare beneficiaries by nearly three-quarters of a billion dollars a year – or \$2 per beneficiary, per month.

These overpayments also reduce Medicare's solvency: Medicare's Chief Actuary has estimated that overpayments to private plans reduce the life of Medicare's Trust Fund by two years.

Overpaying private plans is part of the Republican agenda to privatize Medicare: The higher the overpayments, the greater the profit incentive for private plans to sign up additional Medicare beneficiaries. The more beneficiaries in private plans, the easier it will be for Republicans to privatize Medicare, eliminating Medicare's guaranteed benefit and forcing beneficiaries to fend for themselves. The result will be higher costs, fewer benefits, and less health care for seniors and people with disabilities.

Equalizing payments between private plans and traditional Medicare eliminates wasteful spending: According to the Congressional Budget Office, overpayments to private plans cost taxpayers billions of dollars each year.

Despite being overpaid, private plans charge beneficiaries more than traditional Medicare for a host of services: Many "Medicare Advantage" plans charge seniors more than fee-for-service Medicare for a variety of vital services including: home health care, hospital and nursing home stays, chemotherapy drugs and durable medical equipment.

Overpayments don't necessarily mean extra benefits: MA plans claim that overpayments are returned to beneficiaries in the form of extra benefits. But there is no data proving overpayments are actually spent on extra benefits.

African-Americans are not overrepresented in private plans and will not suffer as a result of equalizing payments: Contrary to insurance industry spin, African-Americans are enrolled in "Medicare Advantage" at the same proportion as they participate in the Medicare program as a whole. African-Americans make up about 9.5 percent of all Medicare beneficiaries – and about 9.5 percent of all "Medicare Advantage" enrollees. Put another way, about 500,000 "Medicare Advantage" enrollees are African-American, out of more than five and a half million MA enrollees overall.